ONLINE LENDING
An Industry Built to Last

RON SUBER
President, Prosper Marketplace

@RONSUBER | @PROSPERLOANS

LendIt
March 6, 2017
Patience
Agility
Stamina
Technology & Innovation
Powering the Future of Financial Opportunity

• Sharing Economy → Access Economy

• Growing the pie

• “The competition wasn’t in the room” (E.A.U.)
AHEM... I SAID I JUST BAKED US ALL A BIGGER PIE.

Instead of fighting over market share, grow the market for everyone.
Technology & Innovation
Powering the Future of Financial Opportunity

- Sharing Economy → Access Economy
- Growing the pie
- “The competition wasn’t in the room” (E.A.U.)
Marketplace Lending
From Disruption to Revolution

• Democratizing credit
• The tipping point
• “What inning are we in?”
Marketplace Lending
Where Are We Now

- Three-legged stool
- Big Hairy Audacious Goals (B.H.A.G’s)
- Escape velocity
Marketplace Lending
Evolution of an Asset Class

- Industry skepticism
- The "necessary nine" for fund investors
- Beyond the turbulence (Boeing)
Online Lending
An Industry Built to Last

- Industry matures; new relationships with banks
- Building efficient and profitable platforms
- Securing long-term capital
“How will the relationships between banks and the online lending industry evolve?”
MARCH 6, 2017

OPTION #1

Loan Sales

- Banks purchase loans through online lending platforms
- Banks diversify their portfolios (assets and geography) with loans they could not originate profitability on their own
Partners (LaaS / White Label)

- New, low-cost way to deploy deposits; online lending platforms gain access to new borrowers and capital
- Technology, speed, efficiency, verification, risk-models and borrower experience they desire
- Ease of compliance with regulatory requirements (FDIC, CFPB, State and SEC)
OPTION #3

Vendor Relationship

- Leverage loans
- Securitize loans
- Custody cash
- Trustee services
• Banks make acquisitions; gain intellectual property

• Banks gain instant market share, innovative teams, brands, great user experience and credit models

• Online lending companies gain access to low-cost capital
OPTION #5

Banks Build New Platforms

- Banks invest millions of dollars, hire hundreds of people and commit to 1+ years of building their own lending platform
- Banks utilize low cost of capital for their own loans
- Banks establish customer connection under new brand
5 Online Lender & Bank Relationships

- Loan Sales
- Partners (Laas/White Label)
- Vendor Relationship
- Mergers & Acquisitions
- Banks Build New Platforms
Meet your new asset class

- Invest in personal loans
- Earn estimated returns of 6.84% on average*
- Diversify your portfolio beyond stocks and bonds
Prosper: A Platform Built to Last

Risk Model & Processes  |  Operational Excellence  |  Mission-Driven
Prosper: Risk Model & Processes

- New risk model (PMI7); more data sources and technologies; improved predictive power
- Continued growth in monthly originations through the platform since July 2016
Prosper: Risk Model & Processes

ROC Curve - PMI and FICO Scores
Prosper: Risk Model & Processes

• New leadership; David Kimball (C.E.O) and Usama Ashraf (C.F.O)

• Even stronger verification and validation processes

• Path to efficiency, growth, quality and profitability

• Continue to find ways to better automate
## Prosper: Model Portfolio

### Model Portfolio as of January 31, 2017

<table>
<thead>
<tr>
<th>Prosper Rating</th>
<th>FICO</th>
<th>% of Total</th>
<th>% 5-Yr Loans</th>
<th>Avg. Loan Size (US)</th>
<th>Rate</th>
<th>Effective Yield</th>
<th>Credit Losses</th>
<th>Net Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA</td>
<td>771</td>
<td>5.3%</td>
<td>5.6%</td>
<td>$13,315</td>
<td>6.3%</td>
<td>5.3%</td>
<td>1.5%</td>
<td>3.8%</td>
</tr>
<tr>
<td>A</td>
<td>739</td>
<td>12.2%</td>
<td>22.8%</td>
<td>$13,590</td>
<td>8.7%</td>
<td>7.6%</td>
<td>3.3%</td>
<td>4.3%</td>
</tr>
<tr>
<td>B</td>
<td>720</td>
<td>21.2%</td>
<td>36.3%</td>
<td>$13,934</td>
<td>11.7%</td>
<td>10.6%</td>
<td>5.2%</td>
<td>5.4%</td>
</tr>
<tr>
<td>C</td>
<td>699</td>
<td>29.9%</td>
<td>33.7%</td>
<td>$14,084</td>
<td>16.6%</td>
<td>15.3%</td>
<td>7.6%</td>
<td>7.7%</td>
</tr>
<tr>
<td>D</td>
<td>687</td>
<td>19.4%</td>
<td>38.5%</td>
<td>$13,191</td>
<td>23.5%</td>
<td>21.6%</td>
<td>10.5%</td>
<td>11.1%</td>
</tr>
<tr>
<td>E</td>
<td>674</td>
<td>8.9%</td>
<td>32.0%</td>
<td>$9,554</td>
<td>29.0%</td>
<td>26.5%</td>
<td>13.4%</td>
<td>13.1%</td>
</tr>
<tr>
<td>HR</td>
<td>672</td>
<td>3.1%</td>
<td>0.0%</td>
<td>$6,390</td>
<td>31.9%</td>
<td>28.8%</td>
<td>17.0%</td>
<td>11.8%</td>
</tr>
<tr>
<td>All</td>
<td>707</td>
<td>100.0%</td>
<td>30.9%</td>
<td>$12,778</td>
<td>17.0%</td>
<td>15.5%</td>
<td>7.6%</td>
<td>7.9%</td>
</tr>
</tbody>
</table>
Prosper: Mission Driven

- Our mission: to advance financial well-being
- Deliver products that help our customers get on top of their finances
- Make one of the most profitable assets in the U.S directly accessible to a broad set of investors
Prosper Inks $5 Billion Loan-Buying Deal With Investors Including Soros, Jefferies

Investors in online lender’s loans also include Third Point, Fortress affiliate

By PETER RUDEGEAIR
Feb. 27, 2017 4:40 p.m. ET

Prosper Marketplace Inc. struck a deal on Monday to sell up to $5 billion worth of consumer loans to a group of investment firms over the next two years.

Members of the group arranged by the online lender include New Residential Investment Corp, a real-estate investment trust managed by an affiliate of Fortress Investment Group LLC; hedge-fund firms Soros Fund Management LLC and Third Point LLC; and the investment bank Credit Suisse, which also arranged last year’s deal.
Past Securitization Performance Overview

- Shelf remains steady ahead of planned PMIT securitization
- All deals’ (CHAI) chargeoffs well below cum loss triggers
- All ratings (CHAI) stable from issuance
- Introduce Prosper Marketplace Issuance Trust- PMIT
Keys to Future Success in 2017

- **Loan Performance**: Performance through the cycle
- **Platform Profitability**: Product expansion and efficiencies
- **Automation**: Automate everything
- **Data Transparency**: Maintain integrity, quality and communication
- **Customer Acquisition**: Unique borrower sources and engagement channels
What I have learned…
“The only truly reliable source of stability is a strong inner core and the willingness to change and adapt everything except that core”

- James C. Collins, Author of Built to Last
“The only truly reliable source of stability is a strong inner core and the willingness to change and adapt everything except that core.”

- James C. Collins, Author of Built to Last
Disclosures

All personal loans are made by WebBank, a Member of FDIC. All personal loans through Prosper are unsecured, fully amortized personal loans. Neither Prosper Funding LLC nor Prosper Marketplace, Inc. are registered as an investment adviser with any federal or state regulatory agency.

The information contained in this presentation is for informational purposes, and should not be construed as individually tailored investment advice or as a recommendation with respect to any security or investment approach. This presentation has been prepared without regard to the circumstances and objectives of its participants and should not be relied upon as authoritative or taken in substitution for the exercise of judgment by any individual. Each individual should consider the appropriateness of any investment decision having regard to his or her own circumstances, the full range of information available and appropriate professional advice. Prosper Funding LLC and Prosper Marketplace, Inc. recommend that each individual seek independent investment and financial advice concerning any services or investments discussed in this presentation.